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**IMPULSE**

**Impulse Telecommunications Corporation**

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Dallas, Texas 75230  
(214) 490-8847 • FAX (214) 490-9061

June 2, 1994

RECEIVED

JUN 2 1994

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554  
STOP CODE: 1170

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

**Re: Ex Parte Presentation in PP Docket No. 93-253**

Dear Mr. Caton:

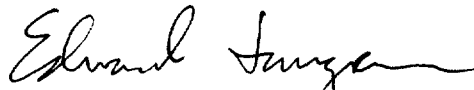
This notice is given as required by Section 1.1206(a)(2) of the Commission's rules. An original and one copy of this letter and its attachments are being filed.

This afternoon, the undersigned, other executives of Impulse Telecommunications, Inc. ("Impulse"), and its counsel met with Rudolfo M. Baca, Legal Advisor to Commissioner James H. Quello, to discuss Impulse's positions regarding the above-referenced proceeding. In particular, Impulse emphasized the need for the FCC to adopt rules that give small businesses the ability to raise capital and participate meaningfully in auctions for broadband Personal Communications Services. Impulse underscored the need for small businesses to have the opportunity to bid for 30 MHz licenses defined by Basic Trading Areas.

Attached hereto is a copy of documents made available during the meeting, which outline Impulse's presentation.

If there are any questions regarding this matter, please contact the undersigned.

Respectfully submitted,



Edward E. Jungerman  
President

**Attachments**

cc: Rudolfo M. Baca (w/o att.)

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# **VMR Participation in Broadband PCS**

**parte Presentation to the FCC  
PP Docket No. 93-253  
June 2, 1994**

**Edward E. Jungerman, President  
Jackson Pfeffer, Vice President  
Lewis S. White, Vice President**

***Telecommunications Corporation***

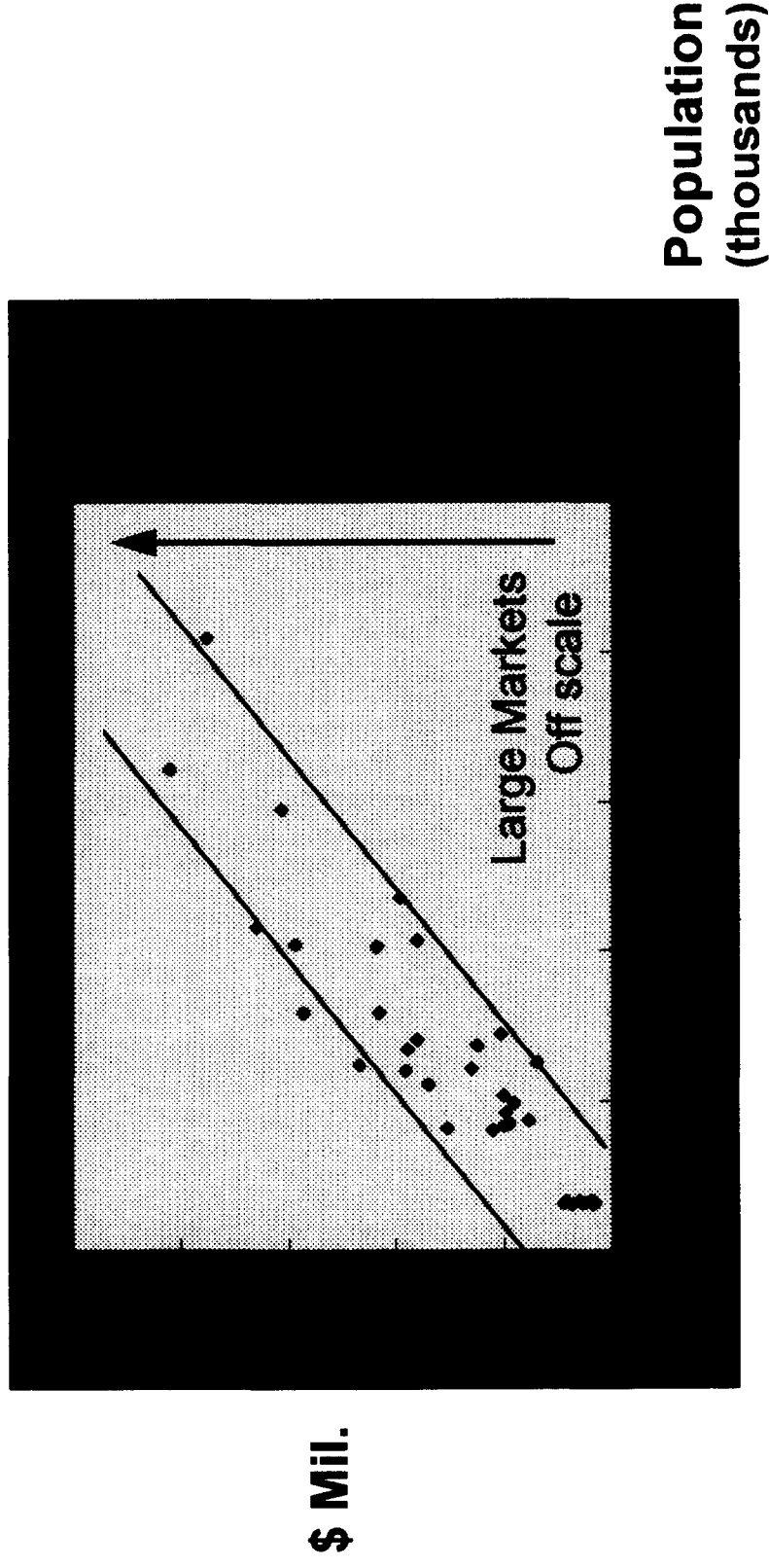
**12720 Hillcrest Road, Suite 1020  
Dallas, Texas 75230  
(214) 490-8847 Fax: (214) 490-9061**

# ***Impulse Telecommunications Corporation***

- ❖ **A Small Business**
- ❖ **Since 1986**
  - **Strategic Consulting & Engineering**
- ❖ **Since 1990: PCS Focus**
  - **Strategic & Business Planning**
  - **Systems Design & Engineering**
  - **Market Research**
  - **Regulatory Support**
  - **Wireless Industry Simulation Tool (WIST)**
- ❖ **Support to over 60 Clients**

***Impulse has PCS Expertise***

# *Representative BTA License Values*



***Major Market Values are High***

## *Giants can Justify Huge Bids*

### ❖ **Billions of Capital**

- AT&T/ McCaw
- Bell/ Atlantic/ TCI
- MCI/British Tel

### ❖ **Strategic Value**

- Critical wireless access
- Deny market to competitor

### ❖ **In-place Assets Permit Incremental Analysis**

- Admin., billing, operations, marketing
- Other business interests
- Existing facilities

# *Giants can Justify Huge Bids*

## ❖ Billions of Capital

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## ❖ In-place Assets Permit Incremental Analysis

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### Example: AT&T/McCaw

Offer	\$12.6
Liab. assumed	<u>8.5</u>
	21.1
Assets acquired	<u>(3.5)</u>
Net intangible	\$17.6
	Billions

## *Bidding Against Giants*

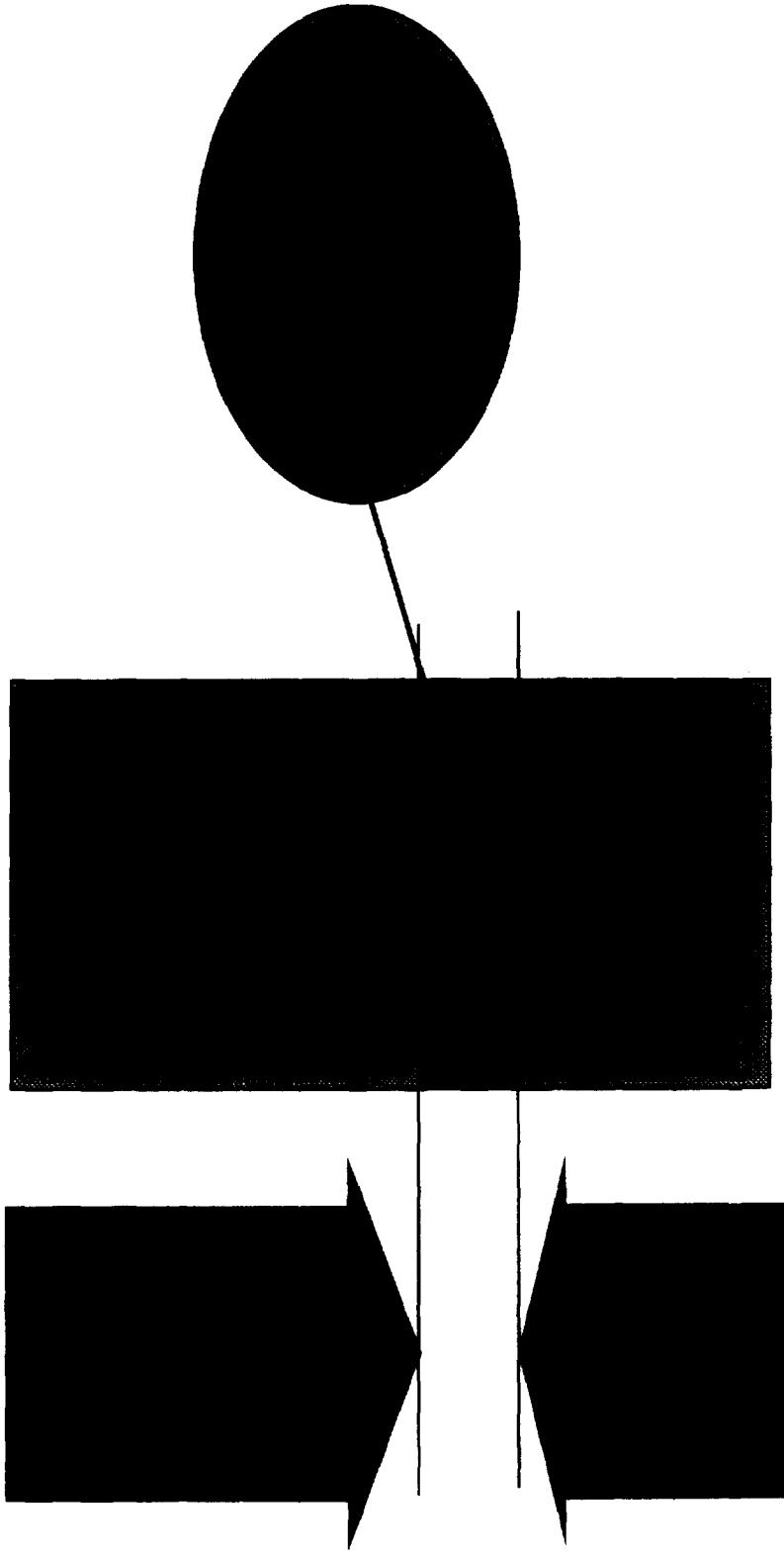
- ❖ **SWMR Risk capital: 35% IRR (or more) required**
- ❖ **Giants cost of capital: 12 to 15%**
- ❖ **Giants have access to abundant debt & equity**
- ❖ **Conclusion: SWMRs need help to bid successfully**

## ***SWMR Requirements for Participation***

- ❖ **Need 20 - 30 MHz to be Viable**
  - 10 MHz cannot compete with cellular
- ❖ **Need Access to Larger BTA Markets**
  - Support multi-party competition
  - Cost threshold
  - Attract capital
  - Facilitate national SWMR “Roamer” cooperation

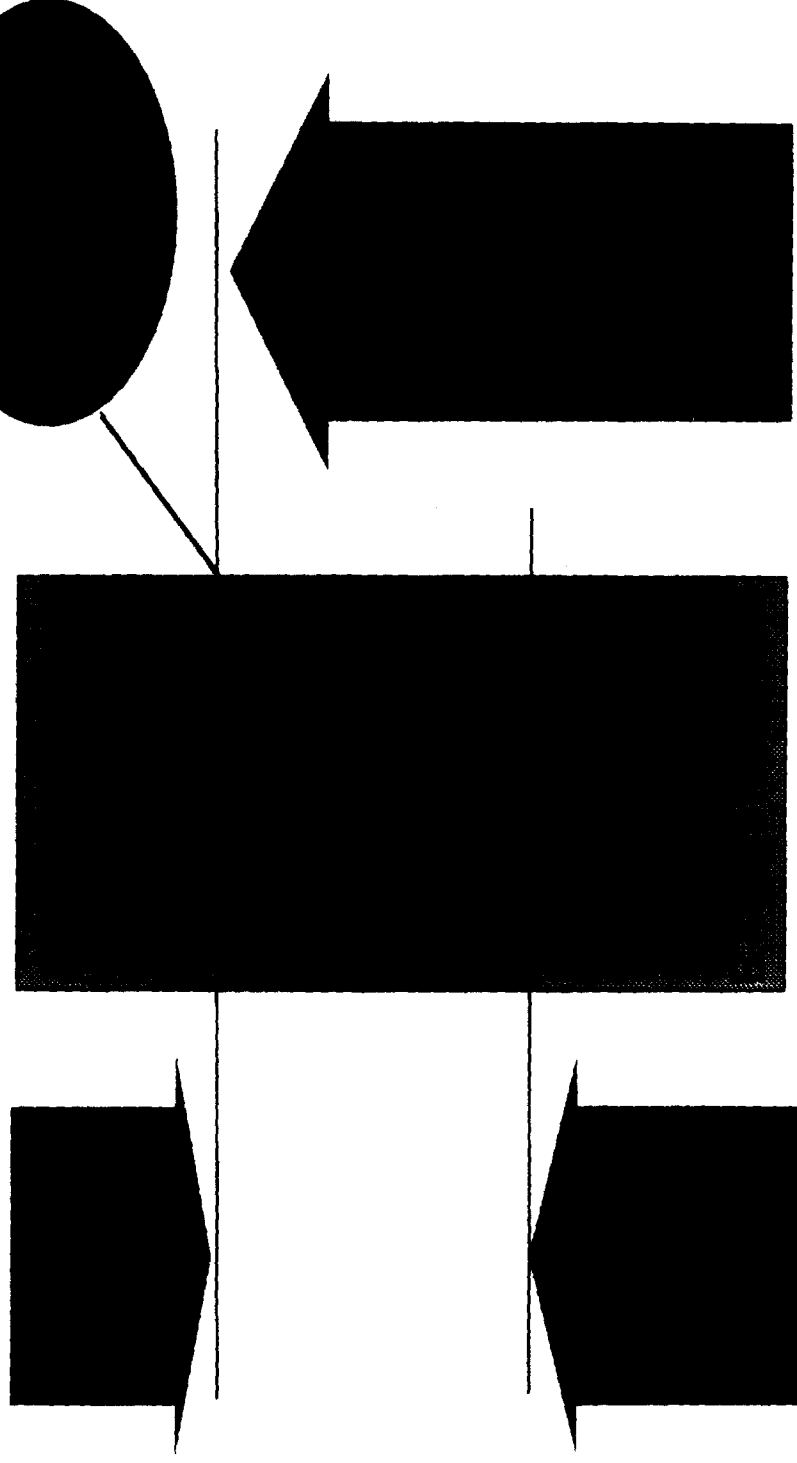


*Can SWMRs Get on the Field?*



***SWMR Participation Very Limited***

# *How SWMRs Get On Field*



*Revised Rules = Enhanced SWMR opportunity*

## *Proposed Solutions*

- ❖ **Reduce Down Payment for Small Business**
- ❖ **Allow Pre-arranged Financing Commitments**
- ❖ **Change Small Business Definition**
- ❖ **Adopt Unjust Enrichment Protections**

## *Solutions - Debt*

### ❖ **Reduce Down Payment for Small Business**

- FCC adopted 20 % for Narrowband PCS
- Broadband PCS bids will be far higher
- Recommend 5% down payment
- Recommend 36 month installment moratorium

### ❖ **Benefits**

- Permits SWMRs with equity to compete with giants
- For Government:
  - ◆ More bidding competition
  - ◆ Increased auction revenues

## *Solutions - Equity*

### ❖ **Allow Pre-arranged Financing Commitments**

- Should not affect “small business” status
- Modify affiliation rules:
  - ♦ No ultimate source greater than 10%
  - ♦ Look through financing structure to ultimate source  
(Affiliation rules apply only to ultimate source)
- Exempt convertible securities exercisable after 5 years

### ❖ **Benefits**

- Gives SWMR access to equity
- Prevents abuse by giants

## *Solutions - Bidding Power*

### ❖ **Change Small Business Definition**

- **\$6 Million net worth test limits access to equity**
- **Net worth test unfair to established small businesses**
- **Substitute revenue (\$40 M?) for net worth test**

### ❖ **Benefits**

- **Attracts equity capital**
- **Allows sufficient “critical mass” to compete**
- **Prevents abuse by giants**  
(“Affiliate” revenues disqualify)

## *Solutions - Abuse*

### ❖ **Adopt Unjust Enrichment Protections**

- Prohibit transfer of license before 5 years
- Recover full value of any and all preferences
- Collect interest on the preference value

### ❖ **Benefits**

- Prevents giants from benefiting from preferences
- Encourages SWMRs to build viable businesses